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McGraw-Hill Economics

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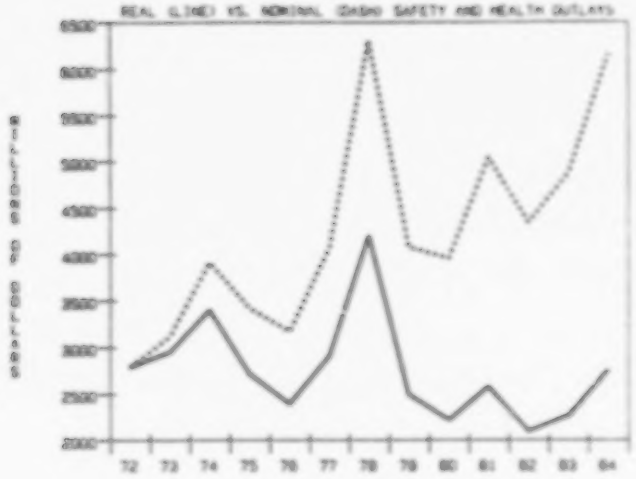
13th ANNUAL MCGRAW-HILL SURVEY OF INVESTMENT IN EMPLOYEE SAFETY AND HEALTH

After a decade of sluggish spending growth, 1985 marks the second year in a row U.S. business will send safety and health expenditures through the roof.

According to McGraw-Hill's latest survey, total U.S. business plans to raise safety and health capital spending 25.4% to $7.7 billion in 1985 compared to last year's 26.3% increase to $6.2 billion.

Compared to the 5.2% average annual growth of safety and health expenditures from 1972 through 1983 (which translates into no growth after inflation), 1984's rise and 1985's planned rise are immense. (See Chart I) The newfound spending surge in this period of low inflation should thus be a veritable boon for any company that sells to this market. But if safety and health capital spending follows historical patterns, the spending spree won't last. In fact, the survey predicts that U.S. business will boost safety and health outlays only 0.1% in 1986.

CHART 1



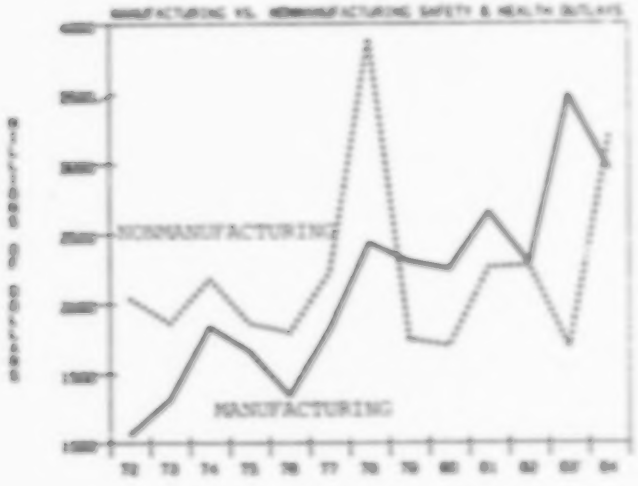
A Turnaround Planned By Manufacturing Industries:
Safety and Health Spending Comes Back To Life

While the rate of increase of total business spending on safety and health capital equipment in 1985 is not expected to be much different than it was in 1984, spending by individual industries will change significantly. Whereas manufacturing industries slashed safety and health expenditures almost 15% in 1984, in 1985 they plan on upping outlays almost 18%. (See Chart II.) And despite the whopping 88% boom in 1984 safety and health outlays by nonmanufacturing industries, another 32.5% increase is slated for 1985. Most of this skyrocketing spending can be traced to only one nonmanufacturing segment--trade and services.

Within the manufacturing sector, the spending tide has turned. In 1985, durables and nondurables manufacturers said they will raise safety and health spending 16.1% and 19.5% respectively. While those are pretty good increases, they follow a year in which safety and health expenditures dropped in both sectors--8% and 21% respectively.

The industry planning the most radical increase in employee safety and health spending in 1985 is gas utilities, who plan a 121% rise. In absolute terms, however, the total spending by gas utilities amounts to only $11 million. Other industries that plan to boost safety and health spending more than 50% include motor vehicles, paper and pulp, rubber and plastic, textiles, and trade and services. The largest cash increase is planned by the machinery industry which said it would raise safety and health outlays by $152 million. The second largest cash increase was projected by the chemical industry, which expects to raise expenditures by over $111 million--perhaps in the hope that by "cleaning its own house" it can avert tighter government safety regulations in the wake of Bhopal.

CHART 2



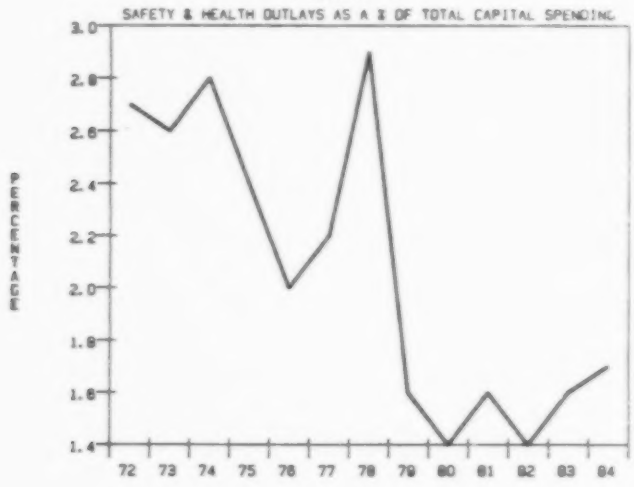
Safety and Health Receives More
Emphasis in Total Capital Spending Picture

Not only does American industry plan to heartily augment safety and health spending in absolute terms in 1985; it plans to put more emphasis on it as part of the whole capital spending picture. (See Table II.) In 1984,

employee safety and health outlays accounted for 1.7% of total capital spending: In 1985, U.S. industry plans to push that ratio up to 2%. (See Chart III.) That's an increase of over $1.5 billion.

Not surprisingly, the mining industry historically devotes the largest portion of its capital spending budget to safety and health. (See Table IV.) In 1984--for the first time in history--that portion exceeded 5% of mining's total capital outlays. And in 1985, even though safety and health expenditures by mining firms are expected to decline 6.6%, the safety and health share is slated to rise even higher.

CHART 3



Safety and Health Spending: Some Not So Healthy Projections for 1986

For all the strength the survey shows in 1985, 1986 safety and health spending plans are quite dismal. While U.S. industry intends to maintain the high level of spending they have now reached, virtually no increase in spending is expected. According to the survey, total U.S. business plans to raise safety and health outlays only 0.1% in 1986. Nonmanufacturing companies

will reduce their outlays by almost 16% and manufacturing firms will increase theirs by 19%.

Despite the fact that business tends to underestimate expenditures to be made further out in the future, the tendency of safety and health outlays to skyrocket for a year or two, then decline for a year or two, suggests that a period of flat or declining safety and health spending rates is imminent.

INDEX OF TABLES

TABLE		PAGE
I	Plans For Investment In Employee Safety and Health	7
II	Employee Safety and Health Investment As a Percent of Capital Spending	8
III	Investment in Employee Safety and Health--Historical	9
IV	Employee Safety and Health Investment As a Percent of Capital Spending--Historical	10

NOTE: The other durables category listed in the tables includes lumber, furniture, jewelry, toys, and transportation equipment other than autos and aerospace. Other nondurables includes apparel, tobacco, printing and publishing, and leather. The trade and services category includes retail and wholesale trade, banking, holding companies, insurance companies, hotels, laundries, and personal and business services. The communications and other category includes construction firms and transportation services other than airlines and railroads.

TABLE I

PLANS FOR INVESTMENT IN EMPLOYEE SAFETY AND HEALTH
(Millions of Dollars)

INDUSTRY	1984 ACTUAL	1985 PLANNED	1984-85 % CHANGE	1986 PLANNED	1985-86 % CHANGE
Iron & Steel	4.2	4.7	12.5	4.9	4.6
Nonferrous Metals	40.4	40.7	0.8	168.2	313.3
Electrical Machinery	218.9	230.3	5.2	180.8	-21.5
Non-Electrical Machinery	726.0	878.3	21.0	942.7	7.3
Autos,Trucks & Parts	27.4	46.9	71.3	36.1	-23.0
Aerospace	63.3	41.5	-34.4	40.5	-2.5
Fabricated Metals	51.8	46.7	-9.8	49.5	5.9
Instruments	90.9	131.1	44.1	142.0	8.4
Stone,Clay & Glass	80.8	106.7	32.0	104.7	-1.9
Other Durables	110.6	114.3	3.4	119.4	4.5
TOTAL DURABLES	1,414.3	1,641.3	16.1	1,788.9	9.0
Chemicals	484.4	596.5	23.2	775.8	30.1
Paper & Pulp	77.2	127.5	65.2	165.5	29.8
Rubber & Plastic	64.7	107.9	66.7	110.9	2.7
Petroleum	583.5	588.2	0.8	832.9	41.6
Food & Beverage	267.0	341.7	28.0	389.9	14.1
Textiles	21.0	33.0	56.9	31.4	-4.7
Other Nondurables	52.2	58.1	11.2	62.5	7.6
TOTAL NONDURABLES	1,550.0	1,852.9	19.5	2,368.8	27.8
ALL MANUFACTURING	2,964.3	3,494.2	17.9	4,157.8	19.0
Mining	864.3	807.3	-6.6	925.2	14.6
Railroads	135.4	160.3	18.4	164.9	2.9
Airlines	0.0	0.0	NC	0.0	NC
Electric Utilities	392.6	437.4	11.4	309.7	-29.2
Gas Utilities	5.0	11.0	121.1	7.8	-28.9
Communication & Other	95.4	95.1	-0.3	88.7	-6.7
Trade & Services	1,701.8	2,720.3	59.9	2,077.3	-23.6
ALL NONMANUFACTURING	3,194.6	4,231.4	32.5	3,573.6	-15.5
ALL BUSINESS	6,158.9	7,725.7	25.4	7,731.4	0.1

TABLE II

EMPLOYEE SAFETY AND HEALTH INVESTMENT
AS A PERCENT OF CAPITAL SPENDING

INDUSTRY	Actual 1984	Planned 1985	Planned 1986
Iron & Steel	0.1	0.1	0.1
Nonferrous Metals	1.9	1.8	1.8
Electrical Machinery	1.5	1.6	1.6
Non-Electrical Machinery	4.7	4.7	4.7
Autos,Trucks & Parts	0.2	0.3	0.3
Aerospace	1.8	1.0	1.0
Fabricated Metals	1.5	1.2	1.2
Instruments	2.8	3.4	3.4
Stone,Clay & Glass	2.6	3.0	3.0
Other Durables	1.9	1.7	1.7
TOTAL DURABLES	2.1	2.1	2.1
Chemicals	3.2	3.5	3.5
Paper & Pulp	1.1	1.7	1.7
Rubber & Plastic	2.1	3.2	3.2
Petroleum	2.3	2.0	2.0
Food & Beverage	3.0	3.2	3.2
Textiles	1.1	1.8	1.8
Other Nondurables	0.5	0.4	0.4
TOTAL NONDURABLES	2.1	2.2	2.2
ALL MANUFACTURING	2.1	2.1	2.1
Mining	5.1	5.3	5.3
Railroads	2.0	2.0	2.0
Airlines	0.0	0.0	0.0
Electric Utilities	1.1	1.2	1.2
Gas Utilities	0.0	0.1	0.1
Communication & Other	0.3	0.2	0.2
Trade & Services	1.6	2.6	2.6
ALL NONMANUFACTURING	1.5	1.9	1.9
ALL BUSINESS	1.7	2.0	2.0

TABLE III
INVESTMENT IN EMPLOYEE SAFETY AND HEALTH -- HISTORICAL
(MILLIONS OF DOLLARS)

INDUSTRY	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Iron & Steel	$132	$86	$69	$59	$28	$35	$44	$58	$38	$184	$91	$68
Nonferrous Metals	30	51	81	113	45	23	23	40	43	58	30	40
Non-Electrical Machinery	97	154	164	112	103	152	237	193	377	96	94	648
Electrical Machinery	68	73	76	80	105	106	130	158	166	148	187	320
Autos,Trucks & Parts	144	169	369	80	40	198	158	350	90	108	31	15
Aerospace	23	32	53	42	45	40	46	81	14	34	38	87
Fabricated Metals	19	33	44	29	31	113	85	103	40	123	52	59
Instruments	15	34	92	107	29	30	48	56	27	78	89	83
Stone,Clay & Glass	33	74	81	99	63	101	98	36	139	85	17	53
Other Durables	64	78	96	130	77	114	262	NA	122	190	143	166
TOTAL DURABLES	619	792	1,124	863	577	917	1,144	1,261	830	1,076	775	1,539
Chemicals	71	83	130	228	258	228	272	324	419	655	418	492
Paper & Pulp	52	62	49	64	63	42	84	63	98	147	129	113
Rubber & Plastic	14	34	135	68	33	44	40	54	171	91	58	91
Petroleum	62	166	190	227	110	213	421	137	157	234	343	417
Food & Beverage	92	101	102	118	216	172	222	138	163	322	131	195
Textiles	84	58	61	49	39	94	88	110	121	111	61	96
Other Nondurables	42	21	43	52	64	163	135	234	135	107	390	623
TOTAL NONDURABLES	413	532	720	820	776	937	1,252	1,043	1,253	1,668	1,503	1,957
ALL MANUFACTURING	1,063	1,313	1,837	1,663	1,346	1,822	2,436	2,302	2,247	2,657	2,293	3,486
Mining	101	102	220	171	137	324	146	128	432	984	361	30
Railroads	40	44	73	78	272	47	145	132	149	119	53	63
Airlines	43	32	23	23	51	17	255	62	56	17	77	44
Electric Utilities	190	136	219	169	154	209	470	261	511	479	542	298
Gas Utilities	24	32	47	30	47	87	27	20	23	19	37	46
Communication & Other	514	578	418	366	446	455	539	334	361	452	155	604
Trade & Services	1,030	842	1,132	950	759	922	2,355	864	301	416	1,086	362
ALL NONMANUFACTURING	2,039	1,864	2,180	1,864	1,799	2,230	3,897	1,749	1,705	2,264	2,279	1,697
ALL BUSINESS	2,792	3,121	3,911	3,418	3,169	4,066	6,315	4,079	3,959	5,043	4,348	4,877

TABLE IV

EMPLOYEE SAFETY AND HEALTH INVESTMENT
AS A PERCENT OF CAPITAL SPENDING--HISTORICAL

INDUSTRY	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Iron & Steel	12.3%	6.9%	3.5%	1.9%	0.9%	1.2%	1.7%	1.8%	1.1%	5.3%	2.4%	2.1
Nonferrous Metals	3.1	4.2	4.6	6.6	3.2	1.8	1.6	2.4	2.0	2.3	1.6	2.3
Electrical Machinery	2.4	2.1	2.0	2.6	2.9	2.3	2.2	2.1	1.7	1.4	1.7	2.8
Machinery	3.0	3.9	3.2	2.3	1.9	2.4	3.2	1.9	3.3	0.7	0.7	4.8
Autos, Trucks & Parts	4.8	4.4	8.6	2.4	1.1	3.4	2.2	4.2	1.0	1.1	0.4	0.2
Aerospace	3.3	4.0	4.4	3.5	4.4	3.5	2.6	3.0	0.4	1.0	1.1	3.0
Other Transportation Equipment	2.4	1.6	1.4	2.9	1.8	1.9	7.7	NA	NA	NA	NA	NA
Fabricated Metals	1.3	1.8	2.3	1.5	1.4	4.6	2.9	3.2	1.2	3.4	1.7	2.1
Instruments	1.7	3.0	7.7	10.1	2.6	2.2	3.0	3.2	1.2	3.4	3.8	3.3
Stone, Clay & Glass	2.5	4.7	4.9	5.9	3.3	4.4	3.1	0.9	3.5	2.5	0.6	1.9
Other Durables	2.3	2.2	2.5	3.8	1.9	2.5	4.8	NA	1.9*	2.7*	2.5*	3.4*
TOTAL DURABLES	3.4	3.5	4.2	3.4	2.1	2.8	2.9	2.6	1.5	1.8	1.4	2.9
Chemicals	2.1	2.0	2.1	3.2	3.5	3.1	3.5	3.3	3.6	5.0	3.3	3.8
Paper	3.6	3.1	1.7	2.2	2.1	1.2	2.2	1.2	1.5	2.4	2.3	1.9
Rubber	1.4	2.2	8.4	5.7	2.4	2.5	1.7	2.2	8.4	4.2	2.7	3.7
Petroleum	1.3	3.6	2.7	2.5	1.1	1.8	3.2	0.9	0.8	0.9	1.3	1.8
Food & Beverages	2.8	2.7	2.4	2.7	4.0	3.0	3.4	1.9	2.0	3.4	1.5	2.5
Textiles	7.9	5.7	5.8	5.7	4.0	8.0	6.7	7.7	7.9	6.7	4.2	6.2
Other Nondurables	1.9	0.8	1.6	1.9	2.2	4.8	3.2	3.9	1.8	1.3	4.7	6.7
TOTAL NONDURABLES	2.4	2.7	2.8	2.9	2.5	2.7	3.2	2.2	2.2	2.5	2.3	3.1
ALL MANUFACTURING	3.0	3.1	3.5	3.1	2.3	2.7	3.1	2.4	2.0	2.1	1.9	3.0
Mining	3.5	3.1	4.8	2.8	1.8	3.3	1.3	1.0	2.7	4.6	1.8	0.2
Railroads	1.7	1.5	2.0	2.0	6.4	1.0	2.8	2.0	2.1	1.9	1.0	1.3
Airlines	2.2	1.7	1.3	1.5	4.5	0.8	8.2	1.5	1.3	0.4	1.7	1.0
Other Transportation	4.8	4.2	1.7	2.8	1.7	4.5	2.7	1.2	NA	NA	NA	NA
Communications	3.4	3.5	2.3	2.1	2.3	2.1	2.2	1.2	1.2**	1.4**	0.5**	2.1**
Electric Utilities	1.4	0.9	1.3	1.0	0.8	0.9	1.8	0.9	1.7	1.5	1.5	0.8
Gas Utilities	0.9	1.1	1.5	0.9	1.3	1.9	0.5	0.3	0.3	0.2	0.4	0.6
Trade & Services	3.5	2.4	2.9	2.4	1.7	1.8	3.7	1.2	0.4	0.5	1.3	0.4
ALL NONMANUFACTURING	3.0	2.4	2.5	2.1	1.8	1.9	2.8	1.1	1.0	1.2	1.2	0.9
ALL BUSINESS	2.7	2.6	2.8	2.4	2.0	2.2	2.9	1.6	1.4	1.6	1.4	1.6

* As of 1980 includes other transportation equipment.
** As of 1980 includes other transportation services.